UNITED STATES PATENT AND TRADEMARK OFFICE

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Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE <u>3</u> MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.
- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

1)☒ Responsive to communication(s) filed on <u>*13 July 2009*</u>.
2a)☐ This action is **FINAL**.   2b)☒ This action is non-final.
3)☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

4)☒ Claim(s) *1-49 and 54-61* is/are pending in the application.
    4a) Of the above claim(s) _____ is/are withdrawn from consideration.
5)☐ Claim(s) _____ is/are allowed.
6)☒ Claim(s) *1-49 and 54-61* is/are rejected.
7)☐ Claim(s) _____ is/are objected to.
8)☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

9)☐ The specification is objected to by the Examiner.
10)☐ The drawing(s) filed on _____ is/are: a)☐ accepted or b)☐ objected to by the Examiner.
    Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
    Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
11)☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

12)☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
    a)☐ All   b)☐ Some * c)☐ None of:
        1.☐ Certified copies of the priority documents have been received.
        2.☐ Certified copies of the priority documents have been received in Application No. _____.
        3.☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).
    * See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

1) ☒ Notice of References Cited (PTO-892)
2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
3) ☒ Information Disclosure Statement(s) (PTO/SB/08)
    Paper No(s)/Mail Date _____.

4) ☐ Interview Summary (PTO-413)
    Paper No(s)/Mail Date. _____ .
5) ☐ Notice of Informal Patent Application
6) ☐ Other: _____ .

DETAILED ACTION

This Non-Final Office action is in response to the response filed on July 13, 2009,

2009. Claims 1-49 and 54-61 are pending.

Continued Examination Under 37 CFR 1.114

A request for continued examination under 37 CFR 1.114, including the fee set

forth in 37 CFR 1.17(e), was filed in this application after final rejection. Since this

application is eligible for continued examination under 37 CFR 1.114, and the fee set

forth in 37 CFR 1.17(e) has been timely paid, the finality of the previous Office action

has been withdrawn pursuant to 37 CFR 1.114. Applicant's submission filed on

07/13/2009 has been entered.

Priority

Acknowledgement is made of applicant's claim for priority to Provisional

Application 60/464,543 filled on 04/22/2003 under 35 U.S.C. 119(e).

Claim Rejections - 35 USC § 101

1.   35 U.S.C. 101 reads as follows:

> Whoever invents or discovers any new and useful process, machine, manufacture, or composition of
> matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the
> conditions and requirements of this title.

2.   Claims 1-45 are rejected under 35 U.S.C. 101 because the claimed invention is

directed to non-statutory subject matter.

Regarding claims 1-45, it appears that the claimed method steps could simply be performed by mental process alone and are not statutory. These claims are directed towards steps of "providing", "receiving" and "adjusting" without including another machine. Since the claims are directed to a process without including another machine, these claims fall within the scope of human intelligence alone, and are non-statutory.

The applicant amended the claims 1, 20 and 42 with addition of claim language "using programmed computer" to overcome the 101 rejection. Examiner recommends to replace the language " using programmed computer " by "via programmed computer " or "by programmed computer " in order to positively claim the invention by tying with the another machine.

Based on Supreme Court precedent and recent Federal Circuit decisions, a 35 U.S.C § 101 process must (1) be tied to a particular machine or (2) transform underlying subject matter (such as an article or materials) to a different state or thing. In re Bilski et al, 88 USPQ 2d 1385 CAFC (2008); Diamond v. Diehr, 450 U.S. 175, 184 (1981); Parker v. Flook, 437 U.S. 584, 588 n.9 (1978); Gottschalk v. Benson, 409 U.S. 63, 70 (1972); Cochrane v. Deener, 94 U.S. 780,787-88 (1876).

An example of a method claim that would not qualify as a statutory process would be a claim that recited purely mental steps. Thus, to qualify as a § 101 statutory process, the claim should positively recite the particular machine to which it is tied, for example by identifying the apparatus that accomplishes the method steps, or positively recite the subject matter that is being transformed, for example by identifying the material that is being changed to a different state.

Here, Applicant's method steps are not tied to a particular machine and do not

perform a transformation. Thus, the claims are non-statutory.

The mere recitation of the machine in the preamble with an absence of a

machine in the body of the claim fails to make the claim statutory under 35 USC 101.

Note the Board of Patent Appeals Informative Opinion Ex parte Langemyer et al.

Claim Rejections - 35 USC § 112

3.   The following is a quotation of the second paragraph of 35 U.S.C. 112:

> The specification shall conclude with one or more claims particularly pointing out and distinctly
> claiming the subject matter which the applicant regards as his invention.

Claims 1, 20, 24, 28, 42, 47, 49, 55, 57, 59 and 61 rejected under 35

U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and

distinctly claim the subject matter which applicant regards as the invention.

4.   The applicant recite these claims as "a method implemented at least partially on

a programmed computer...." without specifically pointing out which of the steps are

implemented in the programmed computer and which are not. It is unclear to the

Examiner which steps are carried out by the computer.

Appropriate correction is required.

Examiner interpreted the method as "computerized method or computer

implemented method" and accordingly such prior art are used in the rejection of claims.

5.   Claims 20 and 40 recites "periodically adjusting, using the programmed

computer, *the stabilized return when the established rate exceeds the total return*, **or**

the total return when the total return exceeds the established rate" failing to specifically

point out the applicant invention is " adjusting total return" or "adjusting the stabilized

return" or both of them.

Appropriate correction is required.

Examiner interpreted the method as "*the stabilized return when the established

rate exceeds the total return*, **and** *the total return when the total return exceeds the

established rate*" and accordingly such prior art are used in the rejection of claims.

Claim Rejections - 35 USC § 103

6.   The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all

obviousness rejections set forth in this Office action:

> (a) A patent may not be obtained though the invention is not identically disclosed or described as set
> forth in section 102 of this title, if the differences between the subject matter sought to be patented and
> the prior art are such that the subject matter as a whole would have been obvious at the time the
> invention was made to a person having ordinary skill in the art to which said subject matter pertains.
> Patentability shall not be negatived by the manner in which the invention was made.

7.   Claims 1-49 and 54-61 are rejected under 35 U.S.C. 103(a) as being

unpatentable over Koppes et al., U.S. Patent No. 5,926,792 (reference A in attached

PTO-892) in view of Petzal (Pensions & Investments) (reference U in attached PTO-

892)further in view of Treynor, U.S. Patent No. 7,143,061 (reference B in attached PTO-

892).

8.   As per claim 1, 20, 24 and 42, Koppes et al. teach a method for coordinated

investment, the method comprising:

Providing / receiving a stabilized return, using the programmed computer, on

holdings of fluctuating return assets that are held by an insurance carrier account (see

column 2, lines 53-67 to column 3, lines 1-4; column 4, lines 59-67; where Stable value

Protected Funds smooth the returns of investments in separate accounts of life

insurance company).

Providing/receiving a second return, using the programmed computer (see

column 2, lines 66-67 to column 3, lines 1-4; where Stable Value Protected Investment

provides second returns).

Koppes et al. <u>do not teach the method where the second return is substantially</u>

<u>based on value of an established index and value of a notional investment</u>.

Petzel teaches the method where the second return is substantially based on

value of an established index and value of a notional investment and receiving a

payment tied to an established rate (Petzel, page 1, last two paragraph to page 2, first

paragraph; where second return is based on $ 100 million notional value investment in

S&P 500 index for total return swap; page 2, paragraph 3-5; where manager earns

LIBOR + 1.5% and 15% return on S&P 500 while it pays LIBOR 5% to swap

counterparty; if S&P 500 declines, the manager earns LIBOR +1.5% and negative

return (-10%) and pays 5% to swap counterparty).

Therefore, it would be obvious to one of ordinary skill in the art at the time the

invention was made to allow the method where the second return is substantially based

on value of an established index and value of a notional investment of Koppes et al.

because Petzel teaches that inclusion of these features would enable to create alpha

and transport alpha onto the target by using swap contract (Petzel, page 1, abstract).

Koppes et al. <u>do not teach adjusting the holdings of fluctuating return assets,</u> <u>using the programmed computer, in response to a change in the second return,</u> <u>wherein the holdings are increased when second return exceeds the established rate</u> <u>and holdings are decreased when the established rate are exceeds the second return</u>.

Treynor teaches adjusting the holdings of fluctuating return assets, in response to a change in the second return, wherein the holdings are increased when second return exceeds the established rate and holdings are decreased when the using the programmed computer, established rate are exceeds the second return (Treynor, Fig. 5; steps 550-560; column 9, lines 15-47; where stock market level measure (M) (> or > 20%) is used to increase or decrease holding of long and short position reciprocatively).

Therefore, it would be obvious to one of ordinary skill in the art at the time the invention was made to allow the method of adjusting the holdings of fluctuating return assets, using the programmed computer, in response to a change in the second return of Koppes et al. because Treynor teaches that inclusion of these features would enable to maintain a portfolio that is time diversified in the sense the absolute risk associated with the portfolio stays approximately constant over time (Treynor, page 1, lines 43-48).

9.   As per claim 2-7 and 25-30, Koppes et al. in view of Petzel further in view of Treynor teach claim 1 as described above.

Koppes et al. <u>do not teach a method comprising established rate is LIBOR plus a</u> <u>percentage; the percentage is a spread; receiving LIBOR plus a percentage is linked to</u> <u>providing the second return; established rate is LIBOR minus a percentage; the</u>

percentage is a spread; and receiving LIBOR minus a percentage is linked to providing the second return.

Petzel teaches a method comprising established rate is LIBOR plus a percentage; the percentage is a spread; receiving LIBOR plus a percentage is linked to providing the second return; established rate is LIBOR minus a percentage; the percentage is a spread; and receiving LIBOR minus a percentage is linked to providing the second return (Petzel, page 2, paragraph 3-5; where manager earns LIBOR + 1.5% and 15% return on S&P 500 while it pays LIBOR 5% to swap counterparty; if S&P 500 declines, the manager earns LIBOR +1.5% and negative return (-10%) and pays 5% to swap counterparty).

Therefore, it would be obvious to one of ordinary skill in the art at the time the invention was made to allow a method comprising established rate is LIBOR plus a percentage; the percentage is a spread; receiving LIBOR plus a percentage is linked to providing the second return; established rate is LIBOR minus a percentage; the percentage is a spread; and receiving LIBOR minus a percentage is linked to providing the second return of Koppes et al. because Petzel teaches that inclusion of these features would enable to investment manager to generate alpha such that final outcome is target benchmark return plus the alpha (Petzel, page 2, paragraph 6, last sentence).

10.   As per 8-9, and 31-32, Koppes et al. in view of Petzel further in view of Treynor teach claim 1 as described above. Koppes et al. further teach the method comprising

receiving a fee linked to providing the stabilized return (see Fig. 12 , step 1220; column 3, lines 1-4; column 4, lines 65-67); and

the insurance carrier account is a separate account (see column 4, lines 59-61).

11.   As per claim 10-12 and 33-35, Koppes et al. in view of Petzel further in view of

Treynor teach claim 1 as described above.

Koppes et al. <u>do not teach the method wherein the second return is a total return</u>

<u>swap on the established index, and based on the notional investment; the second return</u>

<u>is a futures contract on the established index, and based on the notional investment;</u>

<u>and the second return is a forward contract on the established index, and based on the</u>

<u>notional investment.</u>

Petzel teaches the method wherein the second return is a total return swap on

the established index, and based on the notional investment; the second return is a

futures contract on the established index, and based on the notional investment; and

the second return is a forward contract on the established index, and based on the

notional investment (Petzel, page 1, paragraph 1 and last two paragraph; page 2,

paragraphs 1-3).

Therefore, it would be obvious to one of ordinary skill in the art at the time the

invention was made to allow the method wherein the second return is a total return

swap on the established index, and based on the notional investment; the second return

is a futures contract on the established index, and based on the notional investment;

and the second return is a forward contract on the established index, and based on the

notional investment of Koppes et al. because Petzel teaches that inclusion of these

features would enable to create alpha and transport alpha onto the target by using swap

contract (Petzel, page 1, abstract).

12.   As per claim 13-16, 19 and 36-39, Koppes et al. in view of Petzel further in view

of Treynor teach claim 1 as described above.

Koppes et al. do not a method wherein adjusting the holdings of fluctuating return

assets occurs on a periodic basis; the periodic basis is substantially every month; the

periodic basis is substantially every quarter; adjusting the holdings of fluctuating return

assets in response to a change in the notional investment; and an insurance carrier

holding the insurance carrier account adjusts the holdings of fluctuating return assets.

Treynor teaches a method wherein adjusting the holdings of fluctuating return

assets occurs on a periodic basis; the periodic basis is substantially every month; the

periodic basis is substantially every quarter; adjusting the holdings of fluctuating return

assets in response to a change in the notional investment; and an insurance carrier

holding the insurance carrier account adjusts the holdings of fluctuating return assets

(Treynor, Figs. 2-5).

Therefore, it would be obvious to one of ordinary skill in the art at the time the

invention was made to allow a method wherein adjusting the holdings of fluctuating

return assets occurs on a periodic basis; the periodic basis is substantially every month;

the periodic basis is substantially every quarter; adjusting the holdings of fluctuating

return assets in response to a change in the notional investment; and an insurance

carrier holding the insurance carrier account adjusts the holdings of fluctuating return

assets of Koppes et al. because Treynor teaches that inclusion of these features would

enable to maintain a portfolio that is time diversified in the sense the absolute risk

associated with the portfolio stays approximately constant over time (Treynor, page 1, lines 43-48).

13.   As per 17-18 and 40-41, Koppes et al. in view of Petzel further in view of Treynor teach claim 1 as described above. Koppes et al. further teach the method wherein

a stable value provider provides the stabilized return; and a stable value provider provides the second return (see column 2, lines 59-67 to column 3, lines 1-4).

14.   As per 21-23 and 43-45, Koppes et al. in view of Petzel further in view of Treynor teach claim 20, 42 as described above. Claims 21-23 are rejected under same rational as claims 13-16 as described above.

15.   As per claim 46-49, Koppes et al. teach a system for coordinated investment (see Fig. 1), the system comprising:

means for providing/receiving a stabilized return on holdings of fluctuating return assets that are held by an insurance carrier account (see column 2, lines 53-67 to column 3, lines 1-4; column 4, lines 59-67; where Stable value Protected Funds smooth the returns of investments in separate accounts of life insurance company);

means for providing/receiving a second return (see column 2, lines 66-67 to column 3, lines 1-4; where Stable Value Protected Investment provide second returns).

Koppes et al. do not teach that the means for providing a second return is substantially based on value of an established index and value of a notional investment and means for receiving payment tied to an established rate.

Petzel teaches a means where the second return is substantially based on value

of an established index and value of a notional investment (Petzel, page 1, last two

paragraph to page 2, first paragraph; where second return is based on $ 100 million

notional value investment in S&P 500 index for total return swap) and means for

receiving payment tied to an established rate (page 2, paragraph 3-5; where manager

earns LIBOR + 1.5% and 15% return on S&P 500 while it pays LIBOR 5% to swap

counterparty; if S&P 500 declines, the manager earns LIBOR +1.5% and negative

return (-10%) and pays 5% to swap counterparty).

Therefore, it would be obvious to one of ordinary skill in the art at the time the

invention was made to allow a means where the second return is substantially based on

value of an established index and value of a notional investment and receiving payment

tied to an established rate of Koppes et al. because Petzel teaches that inclusion of

these features would enable to create alpha and transport alpha onto the target by

using swap contract (Petzel, page 1, abstract).

Koppes et al. do not teach a means for adjusting the holdings of fluctuating return

assets in response to a change in the second return, wherein the holdings are

increased when second return exceeds the established rate and holdings are

decreased when the established rate are exceeds the second return.

Treynor teaches a means adjusting the holdings of fluctuating return assets in

response to a change in the second return, wherein the holdings are increased when

second return exceeds the established rate and holdings are decreased when the

established rate are exceeds the second return (Treynor, Fig. 5; steps 550-560; column

9, lines 15-47; where stock market level measure (M) (> or > 20%) is used to increase

or decrease holdings of long and short position reciprocatively).

Therefore, it would be obvious to one of ordinary skill in the art at the time the

invention was made to allow a means for adjusting the holdings of fluctuating return

assets in response to a change in the second return, wherein the holdings are

increased when second return exceeds the established rate and holdings are

decreased when the established rate are exceeds the second return of Koppes et al.

because Treynor teaches that inclusion of these features would enable to maintain a

portfolio that is time diversified in the sense the absolute risk associated with the

portfolio stays approximately constant over time (Treynor, page 1, lines 43-48).

16.   As per claim 54-57, Koppes et al. in view of Petzel further in view of Treynor

teach system and method for providing/receiving a stabilized return in coordinated

investment as described in claims 1-49 as described above.

The recitation of claims 54-57 claims execution of method/system using

computer system and computer executable software code. Examiner notes that

reference Koppes et al. (see Fig. 1; column 6, lines 44-67), Petzel, and Treynor (see

Fig.1; column 23-32) are capable of meeting claims limitation using computer system,

computer readable media and computer executable software code.

17.   As per claim 58-61, Koppes et al. in view of Petzel further in view of Treynor

teach system and method for providing/receiving a stabilized return in coordinated

investment as described in claims 1-57 as described above. Koppes et al. further teach

a programmed computer for coordinated investment), comprising:

a memory having at least one region for storing computer executable program

code; and a processor for executing the program code stored in the memory (see Fig. 1;

Digital Storage Means (12), Central Processing Unit (6);

wherein the program code comprises:

code to provide a stabilized return on holdings of fluctuating return assets that

are held by an insurance carrier account; code to provide a second return, where the

second return is substantially based on value of an established index and value of a

notional investment (see column 7, lines 53-67; where code to provide stabilized return

on holding and other software can be stored for the method and system described in

claim 1-49 described); code to receive a payment tied to an established rate (page 2,

paragraph 3-5; where manager earns LIBOR + 1.5% and 15% return on S&P 500 while

it pays LIBOR 5% to swap counterparty; if S&P 500 declines, the manager earns LIBOR

+1.5% and negative return (-10%) and pays 5% to swap counterparty); and

code to adjust the holdings of fluctuating return assets in response to a change in

the second return, wherein the holdings are increased when second return exceeds the

established rate and holdings are decreased when the established rate are exceeds the

second return (Treynor, Fig. 5; steps 550-560; column 9, lines 15-47; where stock

market level measure (M) (> or > 20%) is used to increase or decrease holdings of long

and short position reciprocatively).

Conclusion

18.   The prior art made of record and not relied upon is considered pertinent to

applicant's disclosures. The following are pertinent to current invention, though not

relied upon:

Clark et al. (U.S. Patent No. 7,376,609) teach maximization of a hedged

investment budget for an index-linked insurance product.

Ivanov et al. (U.S. Pub No. 2005/7143061) teach dynamic rebalancing of assets

in an investment portfolio.

Payne et al. (U.S. Patent No. 6,049,772) teach system to managing hedged

investment for life insurance companies.

Payne (U.S. Pub No. 2003/0144947) teaches computer-based system for

hedging and pricing customized basket exchange swaps.

Schoen et al. (U.S. Pub No. 2004/02255536) teach superstructure pool

computer system.

Whaley et al. (U.S. Pub No. 2006/0100949) teach financial indexes and

instruments based thereon.

Any inquiry concerning this communication or earlier communications from the

examiner should be directed to Bijendra K. Shrestha whose telephone number is (571)

270-1374. The examiner can normally be reached on 7:00 AM-4:30 PM (Monday-

Friday).

If attempts to reach the examiner by telephone are unsuccessful, the examiner's

supervisor, Alexander Kalinowski can be reached on (571) 272-6771. The fax phone

number for the organization where this application or proceeding is assigned is 571-

273-8300.

Information regarding the status of an application may be obtained from the

Patent Application Information Retrieval (PAIR) system. Status information for

published applications may be obtained from either Private PAIR or Public PAIR.

Status information for unpublished applications is available through Private PAIR only.

For more information about the PAIR system, see http://pair-direct.uspto.gov. Should

you have questions on access to the Private PAIR system, contact the Electronic

Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a

USPTO Customer Service Representative or access to the automated information

system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

/Alexander Kalinowski/
Supervisory Patent Examiner, Art
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